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Person To Contact:

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Refer Reply To:

CC:CORP:B01

PLR-146889-10

Date:

March 14, 2011

Legend

Distributing =

Shareholder =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

PLR-146889-10

2

Sub 6 =

Sub 7 =

Sub 8 =

Sub 9 =

LLC 1 =

LLC 2 =

LLC 3 =

LLC 4 =

LLC 5 =

LLC 6 =

LLC 7 =

PLR-146889-10

3

LLC 8 =

LLC 9 =

LLC 10 =

LLC 11 =

LLC 12 =

LLC 13 =

Date 1 =

Date 2 =

Business A =

Business B =

Business C =

State A =

Country A =

Country B =

Transitional
Services Agreement =

Sub 4 Disposition =

a =

b =

c =

d =

Dear :

This letter responds to your letter dated November 12, 2010 (the "Ruling Request"), submitted on behalf of Distributing, its affiliates, and Shareholder, requesting rulings on certain federal income tax consequences of a series of proposed transactions. Additional information was submitted in letters dated January 24, 2011, and February 14, 2011. The information submitted for consideration is summarized below.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process. In particular, this office has not reviewed any information pertaining to, and has made no determination regarding, whether the proposed transaction: (i) satisfies the business purpose requirement of §1.355-2(b) of the Income Tax Regulations; (ii) is used principally as a device for the distribution of the earnings and profits of the distributing corporation and/or the controlled corporations (see §355(a)(1)(B) of the Internal Revenue Code (the "Code") and §1.355-2(d)); or (iii) is part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or

indirectly stock representing a 50-percent or greater interest in the distributing corporation or the controlled corporations (see §355(e) and §1.355-7).

Summary of Facts

Shareholder is a Country A exempted limited partnership, treated as a partnership for federal income tax purposes. Shareholder owns all of the outstanding stock of Distributing. Distributing is the common parent of an affiliated group of corporations that files a consolidated U.S. federal income tax return (the "Distributing Group"). Distributing wholly owns Sub 1. Sub 1 wholly owns Sub 2. Sub 2 wholly owns LLC 3, LLC 4 and Sub 5. LLC 3 wholly owns Sub 3. Sub 3 wholly owns Sub 6, LLC 1, LLC 5, and LLC 6. LLC 1 wholly owns LLC 7 and LLC 8. LLC 7 wholly owns Sub 7. Sub 7 wholly owns LLC 9. LLC 8 wholly owns LLC 10. LLC 10 wholly owns LLC 11 and Sub 8. LLC 11 wholly owns LLC 12. Sub 8 wholly owns Sub 9. Each of Distributing, Sub 1, Sub 2, Sub 3, Sub 5, Sub 6, Sub 7 and Sub 8 was organized as a corporation under State A law and are members of the Distributing Group. Each of LLC 1, LLC 3, LLC 4, LLC 5, LLC 6, LLC 7, LLC 8, LLC 9, LLC 10, LLC 11, and LLC 12 is disregarded as an entity separate and apart from its owner for federal income tax purposes under §301.7701-3 of the Procedure and Administrative Regulations (a "disregarded entity"). Sub 9 was organized as a corporation under Country B law.

Distributing also wholly owns LLC 13, a disregarded entity. LLC 13 owns an a percent interest in the capital and profits of LLC 2 (the "LLC 2 Interests"), a partnership for federal income tax purposes.

Distributing is engaged in Business A, Business B (Business A together with Business B, the "Distributing Business") and Business C (the "Controlled Business"), directly and indirectly, through members of Distributing's separate affiliated group, as defined in §355(b)(3)(B) (the "Distributing SAG"). The Distributing SAG has conducted Business B and Business C throughout the five-year period ending on the date of the Distribution. Business A has been conducted by persons unrelated to either Shareholder, Distributing or any member of the Distributing SAG for more than five years prior to Date 1 and has been conducted, directly, by LLC 2 since Date 1.

Financial information submitted by Distributing indicates that each of the Distributing Business and the Controlled Business has had gross receipts and operating expenses representative of the active conduct of a trade or business for each of the past five years.

At the time of the proposed transactions, Sub 1 is expected to have outstanding intercorporate indebtedness owed to Sub 2 in the amount of approximately \$b (the "Sub 1 Debt") and Sub 2 is expected to have outstanding intercorporate indebtedness owed to Sub 3 (and disregarded entities of Sub 3) in the amount of approximately \$c (the "Sub 2 Debt").

Proposed Transaction

For what has been represented as valid business purposes, the following transactions have been partially consummated and proposed (the "Proposed Transaction"):

- (i) On Date 1, Shareholder contributed (through LLC 13) \$d in cash to LLC 2 in exchange for the LLC 2 Interests.
- (ii) On Date 2, Shareholder contributed the LLC 2 Interests to Distributing by contributing all of the membership interests in LLC 13 (the "LLC 2 Interests Contribution").
- (iii) Sub 3 will liquidate into Sub 2 by converting under state law into a limited liability company ("Sub 3 LLC") that is a disregarded entity (the "Sub 3 Liquidation"). As a result of the Sub 3 Liquidation, the Sub 2 Debt will be distributed to Sub 2 and extinguished for legal purposes and federal income tax purposes.
- (iv) Immediately following the Sub 3 Liquidation, Sub 2 will liquidate into Sub 1 by converting under state law into a limited liability company ("Sub 2 LLC") that is a disregarded entity (the "Sub 2 Liquidation"). As a result of the Sub 2 Liquidation, the Sub 1 Debt will be distributed to Sub 1 and extinguished for legal purposes and federal income tax purposes.
- (v) Immediately following the Sub 2 Liquidation, Sub 1 will liquidate into Distributing by converting under state law into a limited liability company ("Sub 1 LLC") that is a disregarded entity (the "Sub 1 Liquidation" and, together with the Sub 3 Liquidation and the Sub 2 Liquidation comprise the "Liquidations").
- (vi) Immediately following the Sub 1 Liquidation, Sub 3 LLC will distribute to Sub 2 LLC all of the membership interests in LLC 1. Sub 2 LLC will thereafter distribute to Sub 1 LLC all of the membership interests in LLC 1. Sub 1 LLC will thereafter distribute to Distributing all of the membership interests in LLC 1.
- (vii) Distributing will form Controlled and contribute to Controlled its interest in Sub 1 LLC (the "Contribution") in exchange for all the stock of Controlled. Controlled will indirectly assume certain liabilities of Business C.
- (viii) Distributing will distribute all of the stock of Controlled to Shareholder (the "Distribution").

Following the Distribution, Controlled will be engaged in the Controlled Business directly and indirectly through members of Controlled's separate affiliated group as defined in §355(b)(3)(B) (the "Controlled SAG") and Distributing will be engaged in the Distributing Business directly and indirectly through the Distributing SAG. Also,

following the Distribution, certain employees of the Controlled SAG will render transitional services to the Distributing SAG pursuant to a written Transitional Services Agreement.

Representations

The following representations have been made with respect to the Sub 3 Liquidation:

- (a) Sub 2, on the date of adoption of the plan of the Sub 3 Liquidation (the "Sub 3 Liquidation Plan Date"), and at all times thereafter until the Sub 3 Liquidation is completed, will own 100 percent of the single outstanding class of the Sub 3 stock.
- (b) No shares of Sub 3 have been redeemed during the three years preceding the Sub 3 Liquidation Plan Date.
- (c) The distribution by Sub 3 to Sub 2 that will be treated as occurring pursuant to the Sub 3 Liquidation will take place on a single day.
- (d) Effective as of the effective date of the Sub 3 Liquidation, Sub 3 will cease to be an entity that is separate from Sub 2 for federal income tax purposes.
- (e) Sub 3 (as a corporation) will not retain any assets following the Sub 3 Liquidation.
- (f) Sub 3 will not have acquired assets in any nontaxable transaction at any time except for acquisitions occurring more than three years prior to the Sub 3 Liquidation Plan Date.
- (g) No assets of Sub 3 have been, or will be, disposed of by either Sub 3 or Sub 2 except for dispositions in the ordinary course of business and dispositions occurring more than three years prior to the Sub 3 Liquidation Plan Date.
- (h) Other than the transfer of the Sub 1 LLC interests to Controlled in the Contribution, the Sub 3 Liquidation will not be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation (Recipient) of any of the businesses or assets of Sub 3, if persons holding, directly or indirectly, more than 20 percent in value of the Sub 3 stock also hold, directly or indirectly, more than 20 percent in value of the stock in Recipient. For purposes of this representation, ownership will be determined by application of the constructive ownership rules of §318(a) as modified by §304(c)(3).
- (i) Prior to the Sub 3 Liquidation Plan Date, no assets of Sub 3 will have been distributed in kind, transferred, or sold to Sub 2, except for (i) transactions

occurring in the normal course of business and (ii) transactions occurring more than three years prior to the Sub 3 Liquidation Plan Date.

- (j) Sub 3 will report all earned income represented by assets that will be deemed distributed to Sub 2, such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.
- (k) The fair market value of the assets of Sub 3 will exceed its liabilities, both at the Sub 3 Liquidation Plan Date and immediately prior to the time the Sub 3 Liquidation occurs.
- (l) There is no intercorporate debt existing between Sub 2 and Sub 3 other than the Sub 2 Debt, and none has been canceled, forgiven, or discounted, except for transactions that occurred more than three years prior to the Sub 3 Liquidation Plan Date.
- (m) The adjusted issue price of the Sub 2 Debt is equal to Sub 3's basis in the Sub 2 Debt.
- (n) Sub 2 is not an organization that is exempt from federal income tax under §501 or another provision of the Code.
- (o) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to the Sub 3 Liquidation have been fully disclosed.

The following representations have been made with respect to the Sub 2 Liquidation:

- (p) Sub 1, on the date of adoption of the plan of the Sub 2 Liquidation (the "Sub 2 Liquidation Plan Date"), and at all times thereafter until the Sub 2 Liquidation is completed, will own 100 percent of the two outstanding classes of Sub 2 stock.
- (q) No shares of Sub 2 have been redeemed during the three years preceding the Sub 2 Liquidation Plan Date.
- (r) The distribution by Sub 2 to Sub 1 that will be treated as occurring pursuant to the Sub 2 Liquidation will take place on a single day.
- (s) Effective as of the effective date of the Sub 2 Liquidation, Sub 2 will cease to be an entity that is separate from Sub 1 for federal income tax purposes.
- (t) Sub 2 (as a corporation) will not retain any assets following the Sub 2 Liquidation.

- (u) Sub 2 will not have acquired assets in any nontaxable transaction at any time except for acquisitions occurring more than three years prior to the Sub 2 Liquidation Plan Date.
- (v) No assets of Sub 2 have been, or will be, disposed of by either Sub 2 or Sub 1 except for dispositions in the ordinary course of business and dispositions occurring more than three years prior to the Sub 2 Liquidation Plan Date.
- (w) Other than the transfer of the Sub 1 LLC interests to Controlled in the Contribution, the Sub 2 Liquidation will not be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation (Recipient) of any of the businesses or assets of Sub 2, if persons holding, directly or indirectly, more than 20 percent in value of the Sub 2 stock also hold, directly or indirectly, more than 20 percent in value of the stock in Recipient. For purposes of this representation, ownership will be determined by application of the constructive ownership rules of §318(a) as modified by §304(c)(3).
- (x) Prior to the Sub 2 Liquidation Plan Date, no assets of Sub 2 will have been distributed in kind, transferred, or sold to Sub 1, except for (i) transactions occurring in the normal course of business and (ii) transactions occurring more than three years prior to the Sub 2 Liquidation Plan Date.
- (y) Sub 2 will report all earned income represented by assets that will be deemed distributed to Sub 1, such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.
- (z) The fair market value of the assets of Sub 2 will exceed its liabilities, both at the Sub 2 Liquidation Plan Date and immediately prior to the time the Sub 2 Liquidation occurs.
- (aa) There is no intercorporate debt existing between Sub 1 and Sub 2 other than the Sub 1 Debt, and none has been canceled, forgiven, or discounted, except for transactions that occurred more than three years prior to the Sub 2 Liquidation Plan Date.
- (bb) The adjusted issue price of the Sub 1 Debt is equal to Sub 2's basis in the Sub 1 Debt.
- (cc) Sub 1 is not an organization that is exempt from federal income tax under §501 or another provision of the Code.
- (dd) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to the Sub 2 Liquidation have been fully disclosed.

The following representations have been made with respect to the Sub 1 Liquidation:

- (ee) Distributing, on the date of adoption of the plan of the Sub 1 Liquidation (the "Sub 1 Liquidation Plan Date"), and at all times thereafter until the Sub 1 Liquidation is completed, will own 100 percent of the single outstanding class of the Sub 1 stock.
- (ff) No shares of Sub 1 have been redeemed during the three years preceding the Sub 1 Liquidation Plan Date.
- (gg) The distribution by Sub 1 to Distributing that will be treated as occurring pursuant to the Sub 1 Liquidation will take place on a single day.
- (hh) Effective as of the effective date of the Sub 1 Liquidation, Sub 1 will cease to be an entity that is separate from Distributing for federal income tax purposes.
- (ii) Sub 1 (as a corporation) will not retain any assets following the Sub 1 Liquidation.
- (jj) Sub 1 will not have acquired assets in any nontaxable transaction at any time except for acquisitions occurring more than three years prior to the Sub 1 Liquidation Plan Date.
- (kk) Except for the Sub 4 Disposition, no assets of Sub 1 have been, or will be, disposed of by either Sub 1 or Distributing except for dispositions in the ordinary course of business and dispositions occurring more than three years prior to the Sub 1 Liquidation Plan Date.
- (ll) Other than the transfer of the Sub 1 LLC interests to Controlled in the Contribution, the Sub 1 Liquidation will not be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation (Recipient) of any of the businesses or assets of Sub 1, if persons holding, directly or indirectly, more than 20 percent in value of the Sub 1 stock also hold, directly or indirectly, more than 20 percent in value of the stock in Recipient. For purposes of this representation, ownership will be determined by application of the constructive ownership rules of §318(a) as modified by §304(c)(3).
- (mm) Prior to the Sub 1 Liquidation Plan Date, no assets of Sub 1 will have been distributed in kind, transferred, or sold to Distributing, except for (i) transactions occurring in the normal course of business, (ii) transactions occurring more than three years prior to the Sub 1 Liquidation Plan Date and (iii) the Sub 4 Disposition.

- (nn) Sub 1 will report all earned income represented by assets that will be deemed distributed to Distributing, such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.
- (oo) The fair market value of the assets of Sub 1 will exceed its liabilities, both at the Sub 1 Liquidation Plan Date and immediately prior to the time the Sub 1 Liquidation occurs.
- (pp) There is no intercorporate debt existing between Distributing and Sub 1, and none has been canceled, forgiven, or discounted, except for transactions that occurred more than three years prior to the Sub 1 Liquidation Plan Date.
- (qq) Distributing is not an organization that is exempt from federal income tax under §501 or another provision of the Code.
- (rr) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to the Sub 1 Liquidation have been fully disclosed.

The following representations have been made with respect to the Contribution and the Distribution:

- (ss) Indebtedness, if any, owed by Controlled to Distributing after the Distribution will not constitute stock or securities.
- (tt) No part of the consideration to be distributed by Distributing will be received by Shareholder as a creditor, employee, or in any capacity other than that of a shareholder of Distributing.
- (uu) The five years of financial information submitted on behalf of the Distributing Business is representative of its present operation and, with regard to such business, there have been no substantial operational changes since the date of the last financial statement submitted.
- (vv) The five years of financial information submitted on behalf of the Controlled Business is representative of its present operation and, with regard to such business, there have been no substantial operational changes since the date of the last financial statement submitted.
- (ww) Other than services under the Transitional Services Agreement, following the Distribution, the Distributing SAG and the Controlled SAG will each continue the active conduct of its businesses, independently and with its separate employees.
- (xx) The Distribution is being carried out for the following corporate business purposes: (1) to allow the Distributing Business to issue equity, in support of its anticipated growth plans, on meaningfully more favorable terms, whether as

consideration issued to investors or to certain prospective sellers of target assets with less dilution to existing equity holders, than would be possible if (i) the Distributing Business were held by a controlled corporation or (ii) Distributing were to issue its own equity while conducting both the Distributing Business and the Controlled Business, and (2) to meaningfully enhance the ability of the Distributing Business and the Controlled Business to attract and retain qualified management. The Distribution is motivated, in whole or substantial part, by one or more of these corporate business purposes.

- (yy) The Distribution is not used principally as a device for the distribution of the earnings and profits of Distributing or Controlled or both.
- (zz) For purposes of §355(d), immediately after the Distribution, no person (determined after applying §355(d)(7)) will hold stock possessing fifty percent or more of the total combined voting power of all classes of Distributing stock entitled to vote, or fifty percent or more of the total value of all classes of Distributing stock, that was acquired by purchase (as defined in §§355(d)(5) and (8)) during the five-year period (determined after applying §355(d)(6)) ending on the date of the Distribution.
- (aaa) For purposes of §355(d), immediately after the Distribution, no person (determined after applying §355(d)(7)) will hold stock possessing fifty percent or more of the total combined voting power of all classes of Controlled stock entitled to vote, or fifty percent or more of the total value of all classes of Controlled stock, that was either (1) acquired by purchase (as defined in §§355(d)(5) and (8)) during the five-year period (determined after applying §355(d)(6)) ending on the date of the Distribution or (2) attributable to distributions on Distributing stock that were acquired by purchase (as defined in §§355(d)(5) and (8)) during the five-year period (determined after applying §355(d)(6)) ending on the date of the Distribution.
- (bbb) The Distribution is not part of a plan or series of related transactions (within the meaning of §1.355-7) pursuant to which one or more persons will acquire directly or indirectly equity representing a fifty percent or greater interest (within the meaning of §355(d)(4)) in Distributing or Controlled (including any predecessor or successor of any such corporation).
- (ccc) The total adjusted bases of the assets deemed transferred to Controlled in the Contribution will equal or exceed the sum of (i) the total liabilities assumed (as determined under §357(d)) by Controlled and (ii) the total amount of any money and the fair market value of any other property (within the meaning of §361(b)) received by Distributing and transferred to its creditors in connection with the reorganization.

- (ddd) The liabilities assumed (as determined under § 357(d)) by Controlled in the Contribution and the liabilities to which the assets deemed transferred to Controlled in the Contribution are subject were incurred in the ordinary course of business and are associated with the assets being transferred.
- (eee) The total fair market value of the assets deemed transferred to Controlled by Distributing in the Contribution will exceed the sum of (i) the amount of any liabilities assumed (as determined under § 357(d)) by Controlled in connection with the exchange, (ii) the amount of any liabilities owed to Controlled by Distributing that are discharged or extinguished in connection with the exchange, and (iii) the amount of any cash and the fair market value of any other property (other than stock and securities permitted to be received under §361(a) without the recognition of gain) received by Distributing in connection with the exchange. The fair market value of the assets of Controlled will exceed the amount of its liabilities immediately after the exchange.
- (fff) No intercorporate debt will exist between Distributing and Controlled at the time of, or subsequent to, the Distribution, other than certain obligations arising from the lease agreements between Distributing and its affiliates, on the one hand, and Controlled and its affiliates, on the other hand relating to the Business B assets used in the Controlled Business, Transitional Services Agreement and other agreements entered into between Distributing and Controlled in the ordinary course of business.
- (ggg) Immediately before the Distribution, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (See §1.1502-13 and §1.1502-14 as in effect before the publication of T.D. 8597, 1995-32 I.R.B. 6, and as currently in effect; §1.1502-13 as published by T.D. 8597).
- (hhh) With the possible exception of certain payments that will be made in connection with the separation agreement and ancillary agreements thereto, including the Transitional Services Agreement, payments made in connection with any continuing transactions between Distributing and Controlled following the Distribution will be for fair market value based on terms and conditions comparable to those that would be arrived at by the parties bargaining at arm's length.
- (iii) No two parties to the Proposed Transaction are investment companies as defined in §§368(a)(2)(F)(iii) and (iv).
- (jjj) There was no regulatory, non-tax legal or economic compulsion or requirement that the LLC 2 Interests Contribution be made as a condition of the Distribution. The fact that the value of Distributing will decrease as a result of the Distribution was not a consideration in the decision to contribute property to

Distributing. The Distribution is not contingent on there being contributed to Distributing assets having a specified (or a roughly specified) value.

- (kkk) Immediately after the Distribution, neither Distributing nor Controlled will be a "disqualified investment corporation" as defined in §355(g)(2)(A).
- (lll) Shareholder's acquisition of the LLC 2 Interests was not conditioned upon the Distribution (and related transactions).
- (mmm) Distributing has not been a United States real property holding corporation (as defined in § 897(c)(2)) at any time during the five-year period ending on the date of the Distribution.
- (nnn) Controlled was not and will not be a United States real property holding corporation (as defined in § 897(c)(2)) either (i) at any time during the five-year period ending on the date of the Distribution, or (ii) immediately following the Distribution.
- (ooo) Neither Business B or Business C nor control of an entity conducting this business will have been acquired during the five-year period ending on the date of the Distribution in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.
- (ppp) At the time of the Distribution, no member of the Distributing affiliated group (as defined in §1504(a)) will have an excess loss account in the stock of Controlled or any Controlled subsidiary.

Rulings

Based solely on the information submitted and the representations set forth above, we rule as follows regarding the Sub 3 Liquidation:

1. The Sub 3 Liquidation will be treated as a complete liquidation under §332. Section 332(b) and §1.332-2(d).
2. No gain or loss will be recognized by Sub 2 or Sub 3 as a result of the Sub 3 Liquidation. Sections 332(a), 336(d)(3), 337(a) and 337(b).
3. Sub 2's basis in each asset deemed received from Sub 3 in the Sub 3 Liquidation will be the same as the basis of that asset in the hands of Sub 3 immediately before the Sub 3 Liquidation. Section 334(b)(1).
4. Sub 2's holding period in each asset deemed received from Sub 3 in the Sub 3 Liquidation will include the period during which that asset was held by Sub 3. Section 1223(2).

5. Sub 2 will succeed to and take into account the items of Sub 3 described in §381(c), subject to the conditions and limitations specified in §§381, 382, 383 and 384 and the regulations thereunder. Section 381(a) and §1.381(a)-1.
6. Sub 2 will not realize income under §61(a)(12) or §1.301-1(m) with respect to the extinguishment of the Sub 2 Debt in the Sub 3 Liquidation. Rev. Rul. 74-54, 1974-1 C.B. 76.

Based solely on the information submitted and the representations set forth above, we rule as follows regarding the Sub 2 Liquidation:

7. The Sub 2 Liquidation will be treated as a complete liquidation under §332. Section 332(b) and §1.332-2(d).
8. No gain or loss will be recognized by Sub 1 or Sub 2 as a result of the Sub 2 Liquidation. Sections 332(a), 336(d)(3), 337(a) and 337(b).
9. Sub 1's basis in each asset deemed received from Sub 2 in the Sub 2 Liquidation will be the same as the basis of that asset in the hands of Sub 2 immediately before the Sub 2 Liquidation. Section 334(b)(1).
10. Sub 1's holding period in each asset deemed received from Sub 2 in the Sub 2 Liquidation will include the period during which that asset was held by Sub 2. Section 1223(2).
11. Sub 1 will succeed to and take into account the items of Sub 2 described in §381(c), subject to the conditions and limitations specified in §§381, 382, 383 and 384 and the regulations thereunder. Section 381(a) and §1.381(a)-1.
12. Sub 1 will not realize income under §61(a)(12) or §1.301-1(m) with respect to the extinguishment of the Sub 1 Debt in the Sub 2 Liquidation. Rev. Rul. 74-54, 1974-1 C.B. 76.

Based solely on the information submitted and the representations set forth above, we rule as follows regarding the Sub 1 Liquidation:

13. The Sub 1 Liquidation will be treated as a complete liquidation under §332. Section 332(b) and §1.332-2(d).
14. No gain or loss will be recognized by Distributing or Sub 1 as a result of the Sub 1 Liquidation. Sections 332(a), 336(d)(3), 337(a) and 337(b).
15. Distributing's basis in each asset deemed received from Sub 1 in the Sub 1 Liquidation will be the same as the basis of that asset in the hands of Sub 1 immediately before the Sub 1 Liquidation. Section 334(b)(1).

16. Distributing's holding period in each asset deemed received from Sub 1 in the Sub 1 Liquidation will include the period during which that asset was held by Sub 1. Section 1223(2).
17. Distributing will succeed to and take into account the items of Sub 1 described in § 381(c), subject to the conditions and limitations specified in §§ 381, 382, 383 and 384 and the regulations thereunder. Section 381(a) and §1.381(a)-1.

Based solely on the information submitted and the representations set forth above, we rule as follows regarding the Contribution and the Distribution:

18. The Contribution, followed by the Distribution, will be a reorganization under §§368(a)(1)(D). Distributing and Controlled will each be "a party to the reorganization" under §368(b).
19. Distributing will not recognize any gain or loss on the Contribution. Section 357(a) and § 361(a).
20. Controlled will not recognize any gain or loss upon its receipt of all of the outstanding ownership interests of Sub 1 LLC from Distributing in the Contribution. Section 1032(a).
21. The basis of the assets deemed received by Controlled in the Contribution will equal the basis of such assets in the hands of Distributing immediately prior to their deemed transfer to Controlled. Section 362(b).
22. The holding period of each asset deemed received by Controlled in the Contribution will include the holding period of such asset in the hands of Distributing. Section 1223(2).
23. No income, gain or loss will be recognized (or realized and deferred) by Distributing on the Distribution. Section 361(c).
24. No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Shareholder on the Distribution. Section 355(a)(1).
25. The holding period of the shares of Controlled Common Stock received by Shareholder in the Distribution will include the holding period of the shares of Distributing Common Stock with respect to which such shares of Controlled Common Stock were received. Section 1223(1).
26. The aggregate basis of the shares of Distributing stock and the Controlled stock held by Shareholder immediately after the Distribution will equal the aggregate basis of the shares of Distributing stock held by Shareholder immediately before the Distribution, allocated in proportion to the fair market value of the Distributing

stock and the Controlled stock in accordance with §1.358-2(a)(2). Section 358(b)(2).

27. Earnings and profits, if any, will be allocated between Distributing and Controlled in accordance with §312(h) and §1.312-10(a).

Caveats

Except as expressly provided herein, no opinion is expressed about the tax treatment of the Proposed Transaction under other provisions of the Code or regulations, or about the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction not specifically covered by the above rulings. In particular, no opinion is expressed regarding: (i) whether the Distribution satisfies the business purpose requirement of §1.355-2(b); (ii) whether the Distribution is used principally as a device for the distribution of earnings and profits of Distributing and Controlled or both (see §355(a)(1)(B) and §1.355-2(d)); or (iii) whether the Distribution is part of a plan (or series of related transactions) under §355(e)(2)(A)(ii). Specifically, no opinion is expressed concerning the treatment of step (i) of the Proposed Transaction, described above.

Procedural Statements

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

Temporary or final regulations pertaining to one or more of the issues addressed in this ruling have not yet been adopted. Therefore, this ruling will be modified or revoked by the adoption of temporary or final regulations, to the extent the regulations are inconsistent with any conclusion in the letter ruling. See §11.04 of Rev. Proc. 2011-1, 2010-1 I.R.B. 1. However, when the criteria in §11.06 of Rev. Proc. 2011-1, 2010-1 I.R.B. 1 are satisfied, a ruling is not revoked or modified retroactively except in rare or unusual circumstances.

A copy of this ruling letter must be attached to any federal income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy

this requirement by attaching a statement to their return that provides the date and control number of this ruling letter.

Under a power of attorney on file in this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Mark J. Weiss
Reviewing Attorney, Branch 1
Office of Associate Chief Counsel (Corporate)